

VZCZCXYZ0032  
RR RUEHWEB

DE RUEHLP #0691/01 0731929  
ZNR UUUUU ZZH  
R 141929Z MAR 06  
FM AMEMBASSY LA PAZ  
TO RUEHC/SECSTATE WASHDC 8419  
INFO RUEHAC/AMEMBASSY ASUNCION 5680  
RUEHBO/AMEMBASSY BOGOTA 2947  
RUEHBR/AMEMBASSY BRASILIA 6825  
RUEHBW/AMEMBASSY BUENOS AIRES 4059  
RUEHCV/AMEMBASSY CARACAS 1382  
RUEHPE/AMEMBASSY LIMA 1298  
RUEHME/AMEMBASSY MEXICO 1669  
RUEHMN/AMEMBASSY MONTEVIDEO 3632  
RUEHQD/AMEMBASSY QUITO 4022  
RUEHSG/AMEMBASSY SANTIAGO 8545  
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RHEHNSC/NSC WASHINGTON DC

UNCLAS LA PAZ 000691

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR WHA/AND LPETRONI  
COMMERCE FOR JANGLIN  
TREASURY FOR SGOOCH  
STATE PASS TO USTR FOR BHARMAN

E.O. 12958: N/A  
TAGS: [ETRD](#) [EINV](#) [ECON](#) [PREL](#) [PGOV](#) [BL](#)  
SUBJECT: BUSINESSMEN EXPAND PUSH FOR FTA, STRUGGLE WITH  
ANTI-TRADE ORGANIZATIONS

REF: LA PAZ 544

**¶1.** (SBU) Summary: In recent meetings with GOB officials, business representatives have expanded their push for Bolivia's entry into the proposed Andean Free Trade Agreement (reftel), urging the Morales administration to pursue comprehensive trade negotiations rather than an extension of the Andean Trade Promotion and Drug Eradication Act. They have told us President Morales seems open to their views and has asked for an explanation of the benefits of a broad agreement. Exporters have responded to Morales' request and emphasized the difficulty of competing without trade preferences, but their arguments have been countered by prominent anti-trade organizations, which enjoy a close ideological affinity with many of the president's closest advisors. End summary.

**¶2.** (SBU) In a March 9 meeting with President Evo Morales, leading Bolivian businessmen expanded their push for Bolivia's entry into the proposed Andean Free Trade Agreement (reftel), urging the GOB to pursue comprehensive trade negotiations rather than an extension of the Andean Trade Promotion and Drug Eradication Act (ATPDEA), which expires December 31, 2006. Marcos Iberkleid, President of Ametex, Bolivia's leading apparel manufacturer and largest private employer, told Morales that an ATPDEA extension was not in the country's best interest, as it would only maintain current levels of exports and export-related jobs rather than raise them, as a broad trade agreement would.

**¶3.** (SBU) Iberkleid told Econoff that Morales admitted the argument was new to him. Iberkleid and one of his counterparts, Exportadores Bolivianos President Eduardo Bracamonte, a leading exporter of gold jewelry, agreed that Morales seems open to the business community's views and is more pragmatic and less ideological than many of his advisors. The president asked exporters to explain the benefits of a broad trade agreement, which Iberkleid and other businessmen did in a March 10 meeting with Minister of

Planning Carlos Villegas and will do again in a March 15 meeting with Villegas and other GOB officials, including Maria Luisa Ramos, the Ministry of Foreign Affairs' Vice Minister of Economic Relations and Foreign Trade. Villegas reportedly told exporters to search for new markets, apparently unconvinced the United States is crucial to their businesses.

¶4. (SBU) In conversations with GOB officials, exporters have emphasized the difficulty of competing without trade preferences. Iberkleid has repeatedly said that many of his 4,500 workers will lose their jobs if the company's apparel exports lose their edge to cheaper Chinese and Southeast Asian products, noting that certain articles could face import duties of up to 20 percent in the absence of preferential trade arrangements. Bracamonte has threatened to dismiss his 2,800 employees, most of them in El Alto, and abandon Bolivia for Peru or Chile, where investment is less risky and supplies and labor are relatively cheap. Another exporter, United Furniture Industries President George Satt, told Econoff he has begun looking for new clients, as the company's largest buyer, Home Depot, is wary of doing business if the firm's exports of patio furniture could lose ATPDEA benefits. Like Bracamonte, Satt would encounter U.S. import duties of up to 6 percent, which would make his products uncompetitive.

¶5. (SBU) Comment: Exporters' arguments in favor of an FTA have been countered by prominent anti-trade organizations, which enjoy a close ideological affinity with many of President Morales' closest advisors, among them Minister Villegas, Vice Minister Ramos, and Vice President Alvaro Garcia Linera. Businessmen believe these three listen closely to Pablo Solon, head of the influential anti-trade

Solon Foundation, who told Econoffs in a separate March 10 meeting that he remained convinced a free trade agreement would undermine Bolivia's sovereignty and harm small producers. In the face of such arguments, business representatives have become increasingly frustrated, recognizing that it will be difficult, but not impossible, to persuade the GOB to pursue comprehensive trade negotiations. An ATPDEA extension seems more attractive to Morales and his advisors, but USG officials' statements that an extension is unlikely appear to have fallen on deaf ears, leaving many businessmen lamenting Bolivia's economic and political uncertainty and doubting their push for an FTA will bear fruit. In the end, Morales will be forced to make a difficult decision, one which will place his political ideology at odds with economic pragmatism. End comment.

GREENLEE